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Auditor's Guide

ELECTIONS BC

Province of British Columbia

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Preface

This guide has been prepared to provide guidance to auditors appointed under the *Election Act*. It is not the role of our office to tell auditors how to perform their audits, rather we wish to provide guidance on some of the unique issues that arise from the financial reporting requirements of the *Election Act*.

Our office is grateful for the input received from several sources and would like to specifically acknowledge the Institute of Chartered Accountants of Ontario, on whose guide this one is largely based. We would also like to thank the Institute of Chartered Accountants of British Columbia and the Certified General Accountants Association of British Columbia for their input and assistance.

Introduction

The *Election Act* requires participants in the British Columbia electoral process (leadership contestants, candidates, registered constituency associations and registered political parties) to prepare financing reports and appoint auditors to report on them. Audit reporting under the *Election Act* significantly enhances the public's confidence in the financing of the electoral process, as the auditor is required to report in accordance with generally accepted auditing standards.

When appropriately completed, the forms prescribed by Elections BC provide all the information required to be disclosed under the *Election Act*. While separate audited financial statements may be prepared, all submissions to Elections BC must be made on forms provided by Elections BC. Accordingly, these guidelines are prepared in relation to financing reports prepared and submitted on Elections BC forms.

This guide is only a summary of the *Election Act* and does not take precedence over the *Election Act*. Where relevant, sections of the *Election Act* have been included in brackets.

All auditors who have been asked to accept an appointment as auditor under the *Election Act* are strongly urged to obtain and become familiar with the following publications, which are available on the Elections BC Web site at www.elections.bc.ca:

a) The *Election Act*
b) Guide for Financial Agents
c) Annual Financial Report Completion Guide
d) Election Financing Report Completion Guide
e) Guide to the *Election Act*
f) Guide to Election Communications
g) Election Financing Guide for Leadership Contestants
h) Election Finance Newsletters

All of the above, except for the *Election Act*, are also available in hard copy from Elections BC.

The *Election Act* is also available for purchase from Crown Publications which is located at 521 Fort Street, Victoria, BC V8W 1E7.

As well, the *Income Tax Act* (*British Columbia*) should be referred to for detailed information on income tax treatments.

To ensure that you are eligible to accept the appointment as auditor, you should refer to section 179 of the *Election Act*. Also contact your professional association to determine if you have any licencing or insurance requirements.

Another important source of information relevant to the audit is the original application for registration and any amendments (*note that Elections BC must be notified of changes to registration information*). This includes the following information regarding the registered entity:

- name
- address
- telephone numbers
- financial agent
- auditor
- principal officers
- signing authorities
- banks at which deposits are to be made
- sample signatures

A copy of the most recent registration documents filed with Elections BC may be obtained by contacting Elections BC.

Auditor Appointment

Sections 207, 209, 210 and 211 of Part 10 of the *Election Act* require the filing, with Elections BC, of financing reports of candidates, leadership contestants, registered constituency associations and registered political parties. Certain reports must be filed with an auditor's report.

Section 179 of the *Election Act* requires that all registered political parties, registered constituency associations and candidates appoint an auditor. If the appointment ends for any reason, the organization or candidate must appoint a new auditor as soon as possible. Leadership contestants need not appoint an auditor unless their financing report meets the criteria which require that an audit be performed.

The auditor must be qualified to be the auditor of a company under sections 205 and 206 of the *Business Corporations Act*:

Persons authorized to act as auditors

205 A person is authorized to act as an auditor of a company if

(a) the person is a member, or is a partnership whose partners are members, of

(i) a Provincial or Territorial Institute/Ordre of Chartered Accountants within Canada, or

(ii) The Certified General Accountants Association of British Columbia,

(b) the person is certified, under section 222, by the Auditor Certification Board, or

(c) the company is a reporting issuer and the person is

(i) a person referred to in paragraph (a) or (b) of this section, or

(ii) authorized under the *Securities Act* to make an auditor's report.

Independence of auditors

206 (1) For the purposes of subsection (3):

"immediate family", when used in reference to a person referred to in that subsection, means any of the following who resides with that person:

(i) the spouse of that person;

(ii) a parent or child of that person;

(iii) any relative of that person or of that person's spouse;

"partner", when used in reference to a person referred to in that subsection, means any person with whom the person referred to in that subsection carries on in partnership the profession of public accounting.

(2) A person who is not independent of a company, its affiliates or its directors and officers must not act as the auditor of the company.

(3) For the purposes of this section, independence is a question of fact, but a person is not independent if

(a) the person is a director, officer or employee of the company or of an affiliate of the company, or is a partner, employer, employee or member of the immediate family of such a director, officer or employee,

(b) the person, a member of the person's immediate family, a partner of the person or a member of the immediate family of a partner of the person, beneficially owns or controls, directly or indirectly, any material interest in a security of the company or of any of its affiliates, or

(c) the person is appointed a trustee of the estate of the company under the *Bankruptcy and Insolvency Act* (Canada) or is a partner, employer, employee or member of the immediate family of that trustee.

In addition, the *Election Act* disqualifies the following from being appointed as an auditor:

(a) an election official, a voter registration official or an individual who is otherwise a member of the staff of the Chief Electoral Officer;

(b) an individual who does not have full capacity to enter into contracts;

(c) an individual who is the financial agent of the organization or individual to be audited;

(d) a firm of which a member is the financial agent of the organization or individual to be audited, or an individual who is a member of the same firm as that financial agent; and

(e) an individual who, at any time within the previous 7 years, has been convicted of an offence under the *Election Act* or the *Recall and Initiative Act*.

An auditor may be appointed for more than one individual or organization.

The appointment of an auditor must be made on the Appointment of Auditor form, prescribed by Elections BC. The form must be fully completed so that it:

- includes the name, mailing address and telephone number of the auditor;
- is signed by a principal officer of the appointing organization or the appointing individual;
- indicates the effective date of the appointment; and
- includes a signed consent of the auditor.

As soon as possible after an appointment is made, a copy of the appointment form must be delivered to Elections BC or the District Electoral Officer, as applicable.

Audit Requirement

The auditor is required to prepare an audit report to the financial agent if the total value of political contributions, election expenses or contestant expenses to be reported is $10,000 or more [section 213(1)(b)]. The auditor's report must be filed with Elections BC by the financial agent, along with the financing report. The Chief Electoral Officer has the authority to require an auditor's report even if the political contributions, election expenses or contestant expenses are under $10,000.

The specific provisions relating to the auditing of reports are contained in section 214 of the *Election Act*:

(1) For every report that is required to be audited under the *Election Act* the auditor for the organization or individual must make a report to the financial agent.

(2) Subject to any guidelines issued by the Chief Electoral Officer, the auditor must

  (a) conduct an audit in accordance with generally accepted auditing standards, and

  (b) perform such tests and other procedures as in the auditor's judgment are necessary to determine whether the report has been prepared in accordance with generally accepted accounting principles.

(3) An auditor must make any additional reports the auditor considers necessary if

  (a) the auditor has not received all information and explanations required from the financial agent or from the organization or individual on whose behalf the report has been prepared, or

  (b) proper accounting records have not been kept by the financial agent.

(4) The financial agent must give the auditor access at all reasonable times to the records of the financial agent and must provide the auditor with any information the auditor considers necessary to enable the auditor to give a report under this section.

Supplementary reports that a financial agent files with Elections BC under section 212 are **not** required to be audited.

Relevant Dates

The *Election Act* considers a financing report to be **filed** when the report is delivered to the office of the Chief Electoral Officer during its regular business hours. Financing reports may also be delivered to any Government Agent office.

Annual Financial Reports – Registered Political Parties & Registered Constituency Associations

Reporting period	January 1 (or the date of the statement of assets and liabilities filed with its application for registration) to December 31
Reporting deadline	March 31 of the following year
Late filing deadline	June 30 of the filing year Late reports must be submitted with a $100 late filing fee

Leadership Contestant Financing Reports

Reporting period	**Political Contributions** – all political contributions accepted in relation to the seeking of the leadership must be reported, regardless of when they were collected **Contestant Expenses** – all contestant expenses incurred in relation to the seeking of the leadership must be reported, regardless of when they were incurred
Reporting deadline	90 days after the leader is selected
Late filing deadline	120 days after the leader is selected Late reports must be submitted with a $500 late filing fee

Notes:

A leadership contestant **cannot** issue income tax receipts.

The reporting dates will vary for every leadership contestant.

Election Financing Reports – Registered Political Parties

Campaign period	The period between when an election is called and the close of general voting
Reporting period	**Political Contributions** – from January 1 of the year the election was held until the end of the campaign period **Election Expenses** – the value of property or services used during the campaign period to promote or oppose, directly or indirectly, a registered political party or candidate
Reporting deadline	90 days after General Voting Day
Late filing deadline	120 days after General Voting Day Late reports must be submitted with a $500 late filing fee

Election Financing Reports – Registered Constituency Associations

Campaign period	The period between when an election is called and the close of general voting

Reporting period	**Political Contributions** – from January 1 of the year the election was held until the end of the campaign period **Election Expenses** – registered constituency associations can only incur election expenses on behalf of a candidate, between when the election is called and when the candidate receives their Certificate of Candidacy. Such expenses are reported by the candidate
Reporting deadline	90 days after General Voting Day
Late filing deadline	120 days after General Voting Day Late reports must be submitted with a $500 late filing fee

Election Financing Reports – Candidates

Campaign period	The period between when an election is called and the close of general voting
Reporting period	**Income** – any income, including political contributions, accepted by the candidate in relation to that individual's candidacy **Election Expenses** – the value of property or services used during the campaign period to promote or oppose, directly or indirectly, the election of a candidate **Other Expenses** – any expenditures incurred in relation to the candidacy
Reporting deadline	90 days after General Voting Day
Late filing deadline	120 days after General Voting Day Late reports must be submitted with a $500 late filing fee

Notes:

A candidate can **only** issue income tax receipts for political contributions received between the date they received their Certificate of Candidacy and the return of the writ.

The reporting dates will vary for every candidate.

Terms of Engagement

Auditors should be aware of the following requirements under the *Election Act*:

- All candidates must appoint an auditor. A candidate's nomination cannot be accepted unless the auditor appointment form is appropriately completed and filed. The auditor appointment form must be signed by both the candidate and the auditor, and filed with the candidate's other nomination documents.
- All registered constituency associations and registered political parties must have an appointed auditor. The auditor's engagement with the registered constituency associations and registered political parties is usually one of an ongoing nature.
- Leadership contestants do not need to appoint an auditor unless their contestant financing report requires an audit. An audit is required if the value of either contestant expenses or political contributions to be reported is equal to or greater than $10,000. If an audit is necessary, an appointment of auditor form must be signed by both the leadership contestant and the auditor, and submitted to Elections BC.

Accounting and Reporting Requirements

Accounting

While the *Election Act* does require financial reports to be prepared in accordance with generally accepted accounting principles, some uncommon accounting treatments are discussed below.

Market Value of Goods and Services

The *Election Act* requires that donated goods and services be recorded at their market value. Reference should be made to section 180 of the *Election Act* for guidance on the treatment of any shortfall between that value and the amount (*if any*) charged.

The *Election Act* defines market value as, "the lowest price charged for an equivalent amount of equivalent property or services in the market area at the relevant time." General valuation rules are established by section 185 of the *Election Act*.

Inventory

Only registered political parties and registered constituency associations report inventory on their annual financial reports.

For election financing reports and leadership contestant financing reports, the value of any inventory of campaign supplies at the beginning of the campaign period must be valued and accounted for in determining the candidate's/leadership contestant's election/contestant expenses. The usual rules regarding business inventory are not applicable under the *Election Act*. Inventory may have to be re-valued at a higher market value than that originally paid. For example, if a candidate were to reuse old signs that were left over from a prior election, the current market value of the signs would have to be reported as a current election expense.

Volunteer Services

Section 180(5)(b) of the *Election Act* stipulates that the property of a volunteer, if it is used in relation to the services of the individual as a volunteer, is not a political contribution or an election expense. However, if a volunteer uses equipment of their employer, the market value of the use of the equipment must be reported as both a political contribution (by the employer) and, if used during a campaign period, an election expense subject to the election expense limit. If an individual voluntarily performs services for a political campaign and receives no compensation, directly or indirectly, in relation to the services or the time spent providing the services, the services are not a political contribution or an election expense. However, if an employer continues to pay an individual while they are working for a political party, constituency association, candidate or leadership contestant, the individual is not a volunteer. In that case, the value of their services is a contribution from the employer, and an expense (an election expense if during a campaign period).

Reporting

Elections BC understands that auditors may not be able to report on the completeness of all financial transactions due to the nature of the operating environment of an election campaign. This would constitute a limitation in the scope of the auditor's examination and, accordingly, auditors may issue a qualified report. This type of qualified auditor's report is considered acceptable by Elections BC. Auditors may use the sample auditor's reports as set out in Appendix C, which are acceptable to Elections BC.

The *Election Act* includes restrictions on overall and specific election expenses. An incorrect allocation of election, nomination or other expenses could be a significant factor in reporting on the financing reports.

Section 214(3) of the *Election Act* also requires an auditor to "... make any additional reports the auditor considers necessary if:

(a) the auditor has not received all the information and explanations required from the financial agent or from the organization or individual on whose behalf the report has been prepared, or

(b) proper accounting records have not been kept by the financial agent."

Recommended Audit Procedures

Introduction

The Institute of Chartered Accountants of British Columbia and the Certified General Accountants Association of British Columbia have provided this section as general guidance to their members and other professional accountants. The *Election Act* contains a number of detailed and stringent requirements concerning election campaign financing. It is strongly recommended that auditors review the *Election Act* and the related regulations as well as the various publications available from Elections BC before proceeding with their work. Many auditors in the past have found that such audits tend to require much more effort than initially anticipated.

Auditors appointed under the *Election Act* should consider the sensitive nature of the engagements they are undertaking. The clients are engaging in political activities, which frequently come under public scrutiny. As well, all the reports filed with Elections BC become public documents. Moreover, any violation of the legislation could have serious consequences for their clients. (Refer to sections 216 to 227 and section 263 of the *Election Act* for detailed penalties for failure to comply.)

The Engagement

The auditor should obtain an engagement letter to clarify the nature of the services to be provided and the responsibilities of each party. It may be appropriate for different people to sign the engagement letter depending on who is the client. In the case of an audit of a candidate or leadership contestant, it is appropriate for the candidate or leadership contestant to sign the engagement letter as the relationship is between the auditor and the candidate or leadership contestant by virtue of appointment and agreement to serve. In addition, it is highly recommended for the financial agent to acknowledge the terms of the engagement as he or she plays an integral part in the financial affairs of the candidate or leadership contestant. In fact, the *Election Act* requires the auditor to make his or her report to the financial agent.

In the case of an audit of a registered political party or registered constituency association, it is appropriate for the principal officers to sign the engagement letter. It may be desirable for the auditor to obtain a new engagement letter should there be any change in key officials. Auditors should consider using the sample engagement letters in Appendix A.

Once appointed, auditors are strongly encouraged to meet with the candidate and the financial agent as early as possible to discuss the controls over the acceptance of contributions and the incurring of election expenses during the campaign. Other key people that an auditor should meet (depending on the entity being audited) include the campaign manager, the political party or constituency association president and the political party leader. In the past, auditors have found these meetings to be highly beneficial in ensuring that all concerned persons understand the importance of implementing such controls.

The Audit

The *Election Act* requires that the financial reports submitted under the Act are prepared in accordance with generally accepted accounting principles (GAAP), albeit with certain variations required by the Act and regulations. The most significant variation is the requirement that all transactions being reflected in the reports be recorded at fair market value (FMV). This has significant implications for the auditor. As the transactions are occurring in the political arena, third party documentation supporting both donations and expenditures may not be as reliable as in traditional audits. An invoice may contain a discount component, which would result in an increased expenditure and a related contribution. Auditors will need to understand how this

concern has been managed by the financial agent to avoid the potential of being associated with financial information that is false or misleading.

Auditors should keep in mind that the Auditor's Report submitted to the client is slightly different from the "standard" audit report wording. The recommended wording, in Appendix C, takes into account the limitation in scope of the examination and that verification of income and expenses is limited to what has been recorded in the records.

An unusual accounting situation arises when goods or services related to an election are purchased or received as contributions prior to the date the election is called. If such goods or services are used during the campaign period, their value is an election expense. Another unusual accounting treatment is that any "opening" inventory of signs (even used ones previously expensed) must be recorded at market value and reported as an election expense, if the signs are used during the campaign period.

With the number of uncommon accounting treatments, the relatively low volume of transactions, and the sensitivity around the expenditures, many auditors of election financing reports in prior years have examined one hundred percent of the transactions recorded rather than use sampling. Auditors may wish to consider this as a part of their audit planning and risk assessment.

Representation Letter

As in all engagements, auditors of election financing reports rely heavily on information supplied by the client. These assertions by the client need to be documented, most commonly in the form of a representation letter (see Appendix B). As with the engagement letter, the candidate, leadership contestant or principal officers of the registered political party or registered constituency association are the appropriate signatories to the representation letter. In addition, it is highly recommended that the auditor obtain the signature of the financial agent who is responsible for the fiscal controls within an election campaign as detailed in section 177 of the *Election Act*.

Other key people that the auditor should meet include the campaign manager, the political party or constituency association president and the political party leader.

Sample Audit Procedures

The following list of procedures is not exhaustive, nor is it considered a minimum, for audits under the *Election Act* of British Columbia. The circumstances of each appointment must be taken into account. As with any audit engagement, the auditor should consider how materiality and the components of audit risk will affect the nature, extent and timing of audit procedures.

General

1. Ensure you are eligible to accept the appointment as auditor (section 179 of the *Election Act*). You may wish to review your professional rules of conduct to ensure your objectivity is not impaired and contact your professional association to determine if you have any licencing or insurance requirements.

2. Review the *Election Act*, to ensure you understand the audit and reporting requirements of the engagement, in particular:
   - The *Election Act* imposes limits on the amounts candidates may spend in regards to an election.
   - The *Election Act* requires that the audit be conducted in accordance with generally accepted auditing standards.
3. Obtain signed engagement letter from the client (see samples in Appendix A).
4. Review and become familiar with the following, which are available from Elections BC:
   a) *Election Act*, available for purchase from Crown Publications, 521 Fort Street, Victoria, BC V8W 1E7
   b) Guide for Financial Agents
   c) Election Financing Report Completion Guide
   d) Guide to the *Election Act*
   e) Election Finance Newsletters

   All of the above materials are available on Elections BC's Web site at www.elections.bc.ca.
5. Obtain directly from Elections BC a copy of the most recently filed Registration and Change Notice Form which details signing officers, bank accounts, financial agents and deputy financial agents, etc.

   Where a registered political party, registered constituency association or candidate receives a transfer of money, the financial agent should have a copy of, and the auditor should examine, the supporting documentation.

   For the audit of a registered political party or candidate, ensure you obtain directly from Elections BC a confirmation of the election expense limits.
6. Ensure a separate bank account has been used for the financial transactions of the registered political party, registered constituency association or candidate.
7. All transfers of funds, goods and services, to or from another registered political entity, should be confirmed to ensure the transfer has been properly recorded in the client's records. Transfers are not considered to be political contributions to the transferee or expenses to the transferor except in the case of transfers to or from leadership contestants.
8. Obtain a signed letter of representation (see samples in Appendix B). Consider obtaining additional letters of representation from the campaign manager, political party or constituency association president and the political party leader.
9. Ensure that the filing requirements and deadlines, as outlined in the *Election Act*, are met. Failure to file on time is a contravention of the *Election Act* and may result in serious penalties.

10. Obtain from the registered political party, registered constituency association, candidate or leadership contestant the completed forms to be filed with Elections BC and consider the applicability of the procedures set out in this guide in drafting an appropriate audit program.
11. Review all schedules contained in the materials to be submitted to Elections BC for accuracy and completeness, checking all additions and cross-references.
12. Review the "Relevant Dates" section in the body of this guide to clarify the reporting period of the audit engagement.
13. Confirm that the candidate (or the financial agent) has returned all surplus funds to the registered political party, the registered constituency association, or Elections BC in accordance with section 205 of the *Election Act*.

Contributions

1. Ensure political contributions are recorded according to section 190 of the *Election Act*.
2. Where political contributions are required to be disclosed in a report, ensure the report includes each contributor who, during the period covered by the report, made one or more political contributions that in total have a value of more than $250, in accordance with section 206 of the *Election Act*.
3. Ensure anonymous contributions were received as permitted by section 186 and are recorded according to section 190 of the *Election Act*.
4. Ensure all prohibited contributions (i.e., $20 in cash received anonymously by mail) are either returned within 30 days or remitted to the Chief Electoral Officer, according to section 189 of the *Election Act*.
5. Ensure loans and debts are properly disclosed according to section 181 of the *Election Act*.
6. Agree cash received to bank statement and clear cash book, receipt book and bank statement.
7. For contributions of goods and services ensure correspondence is on file from the contributor indicating the fair value for contribution purposes.
8. Reconcile the value of receipts issued, and reported in the election or annual financial report, to records of cash receipts and donations of goods and services.
9. Ensure the accuracy of income tax receipts issued. Tickets sold at a fundraising function that do not qualify as a political contribution may still result in the issuance of an income tax receipt. Income tax receipts may only be issued for contributions of money.
10. Verify serial continuity of income tax receipts issued and on hand. Ensure all receipts are accounted for.

Fundraising Activities

1. Section 182 of the *Election Act* provides special rules for fundraising functions. Review the policy for allocating ticket revenue between contributions and expenses established for the event. Ensure official income tax receipts are issued for that part of the ticket price deemed to be tax receiptable (i.e. ticket price less cost per person).
2. Ensure that the market value of contributed property and services is properly determined (section 185 of the *Election Act*). If property (goods) or services are donated for sale at a fundraising function, and have a market value of $250 or less, the donated items are **not** considered political contributions. Their market value should be recorded as gross income not reported as contributions. If property (goods) or services are donated for sale and their market value is greater than $250, the value of the contribution is the market value of the goods and services.
3. If property (goods) or services are purchased at a fundraising function at greater than market value, the difference between the price paid and market value is a political contribution.
4. Ensure discounted property and services are accounted for under section 180(2). If property (goods) or services are provided at less than the market value, the provider of the property or services is considered to have made a political contribution equal to the difference between the market value and the amount charged unless their value is $250 or less and they are sold at a fundraising function.
5. Ensure income tax receipts for candidates are issued only for money contributions given after the candidate has been issued a Certificate of Candidacy and before the day the Writ of Election is returned to the Chief Electoral Officer (official end date of election campaign) (section 192 of the *Election Act*). This means income tax receipts cannot be issued for contributions to nomination or leadership contestants.
6. Ensure income tax receipts issued are not for political contributions of property or services.
7. Ensure income tax receipts issued by registered political parties and registered constituency associations are not issued on behalf of nomination or leadership contestants or candidates.

Expenses

1. Ensure all contestant expenses are in compliance with section 184 of the *Election Act*.
2. Ensure all election expenses are in compliance with section 183 of the *Election Act*. An election expense is the value of property or services **used during a campaign period** to promote or oppose, directly or indirectly, the election of a candidate or a registered political party.

3. Ensure election and leadership contestant expenses are incurred through the financial agent or an individual authorized in writing by the financial agent. Ensure all election and leadership contestant expenses are paid by the financial agent or an individual authorized in writing by the financial agent and are paid out of the political party's, candidate's or contestant's bank account. This does not apply to a candidate's personal expenses as per section 193 of the *Election Act*.
4. Ensure that expenditures greater than $25 are supported by adequate documentation (i.e. invoice or bill) as per section 177 of the *Election Act*.
5. Review supporting documentation for political contributions of property (goods) and services that are used in the campaign to ensure that they are recorded as per section 183 of the *Election Act*.
6. Ensure the registered political party's and candidate's election expenses during a campaign period (writ day to the close of general voting on General Voting Day) comply with sections 198, 199 and 204 of the *Election Act*.

   Contact Elections BC, or check their Web site at *www.elections.bc.ca* for confirmation of the 'Election Expense Limit' to ensure the registered political party and the candidate did not exceed the final expense limit.
7. Ensure the expenses as specified in section 203 of the *Election Act* are not included as election expenses for the purpose of determining whether an organization or individual has complied with the election expense limit.

   An election expense that is not included for the purpose of calculating whether there has been compliance with an expenses limit is subject to all other provisions of the *Election Act*.
8. Review payables and accruals for reasonableness and completeness as it is not unusual for there to be significant delays in receiving invoices after a campaign.
9. Obtain confirmation from the financial agent that no other person or organization has incurred election expenses without his or her knowledge and/or consent. Experience has shown that it is not unusual for the financial agent to delegate to the campaign manager, the party leader, or the party president the authority to incur or authorize election expenses. This should be included in the letter of representation (see samples in Appendix B).

10. a) Expenses incurred by a registered constituency association on the candidate's behalf are only permitted for the period from date of issuance of the writ to the issuance of the Certificate of Candidacy from Elections BC and must be attributed to the candidate's expense limit (section 200 of the *Election Act)*. For audits of candidate's election financing reports, ensure these expenses are disclosed in the election financing report.

b) For audits of registered constituency association's election financing reports, ensure that expenses incurred on the candidate's behalf prior to the issuance of the Certificate of Candidacy from Elections BC are reported as a transfer to the candidate.

11. a) Expenses incurred by a registered party to promote specific candidates (other than the party leader) must be divided and attributed to the candidates (section 201 of the *Election Act*). For audits of candidate's election financing reports, ensure these expenses are disclosed in the election financing report. Where the candidate is also the political party leader, ensure the expenses incurred by the political party are correctly allocated and reported as an election expense of the political party.

b) For audits of a registered party's election financing reports, ensure that expenses incurred to promote specific candidates (other than the party leader) are divided and attributed to the candidates and reported as transfers given to the candidates. Where the candidate is also the political party leader, ensure the expenses incurred by the political party are correctly allocated and reported as an election expense of the political party.

Reporting Requirements

1. An audit must be conducted if political contributions, election expenses or contestant expenses are $10,000 or more. However, the Chief Electoral Officer may require an auditor's report in other cases as well.
2. The audit must be conducted in accordance with generally accepted auditing standards (section 214 of the *Election Act*).
3. The Financial Agent must file a copy of the auditor's report with the financing report within 90 days after General Voting Day.
4. Auditors must provide additional reports to the Chief Electoral Officer in accordance with section 214(3) of the *Election Act* if they have not received all the information and explanations required from the financial agent or if proper accounting records have not been kept by the financial agent.
5. The financial agent must ensure the election financing reports filed with Elections BC include all the required information as specified in sections 209 and 210 of the *Election Act*.

Additional Procedures for Annual Audit of Registered Political Parties and Registered Constituency Associations

In general, the annual audit of a registered political party or a registered constituency association is not unlike an audit of other not-for-profit organizations. Accordingly, after the appropriate risk assessment and audit planning, auditors can reasonably follow their standard audit program for similar not-for-profit organizations. However, auditors are reminded of some of the uncommon accounting treatments required by the *Election Act* and should consider incorporating the following procedures, as well as the previously identified procedures, into their audit program.

1. Test to ensure goods are valued at market value and agree to supplier certification. Review this certification to ensure it does not contain a discount component, which should be recorded as a contribution and an expense.
2. Review internal controls over recording of contributions accepted, including goods and services donated. Ensure donated goods and services are recorded at market value. Ensure they are properly recorded as donations and expensed at appropriate value when used.
3. Ensure the registered party or registered constituency association has included all the financial information in its annual financial report as required by section 207 of the *Election Act*.
4. Ensure the registered political party has prepared a combined listing of contributions for the party, all its registered constituency associations, and all its candidates as required by section 207(4) of the *Election Act*.
5. Ensure the registered political party or the registered constituency association has reported all loans received during the year, including those that have been repaid during the year, as required by section 207(3)(g) of the *Election Act*.
6. During a year where there has been an election, registered political parties and registered constituency associations are still required to submit an annual report as well as any necessary election financing reports. This means that some transactions will be reported twice, once in the election financing report and once in the annual financial report.

Appendix A – Sample Engagement Letters

The following sample letters are for engagements with registered political parties, registered constituency associations and candidates, and may be amended as appropriate in the circumstances.

Annual Financial Reports
of Registered Political Parties and Registered Constituency Associations

(Date)

(Name(s) of Principal Officer(s)
of Registered Political Party/Constituency Association)
(Address)

Dear *(Name)*:

I am writing to summarize my understanding of the terms of my prospective engagement as auditor to report under the *Election Act* on the financial reports of *(registered political party/registered constituency association name)*. In the event of an election called during the year, the *Election Act* requires that election financing reports also be prepared. This would form the basis of a separate engagement covered by its own engagement letter.

Although an audit may not be required, I recognize the need to have an auditor registered on file with Elections BC. I understand that the *Election Act* does not require all financial reports filed with Elections BC to be audited. However, if the thresholds requiring an audit are met, I will fulfill the audit requirement.

My audit will be conducted in accordance with generally accepted auditing standards. It will be planned and performed to obtain reasonable assurance whether the annual financial report is free of material misstatements, and will include examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial report. Although I cannot express an opinion on the operation of any systems of internal control, I will report to you any weaknesses in those systems which are identified during the audit.

My report will be addressed to your financial agent *(name)*, and will state whether, in my opinion, the annual financial report presents fairly the information contained in the accounting records on which it is based in accordance with the accounting treatment required by the *Election Act*. As required by the *Election Act*, in a separate report I shall make such statements as I consider necessary in any case where, in my opinion:

(a) I have not received from the financial agent or yourselves all the information and explanations that I required;

or

(b) proper accounting records have not been kept by the financial agent.

You have indicated your understanding that my examination will be such as to enable me to report as required under the *Election Act*. The timely preparation and the completeness of the accounting records and the financial report, which are to be prepared in accordance with the accounting provisions of the *Election Act*, are the responsibility of your financial agent. My responsibility as auditor does not extend beyond the reporting function outlined above,

and accordingly does not include ensuring that your association and its officers, including your financial agent, comply with all the requirements of the *Election Act*.

The *Election Act* requires the filing of the annual financial report by March 31 of each year, for the previous calendar year's financial activity. It is essential that the suppliers' accounts be recorded and the accounting records completed in time to allow me a reasonable period to complete my examination and issue my report. I anticipate that I will be able to report in time to permit a filing of your annual financial report by the date required by the *Election Act*, if the annual financial report is completed and available for audit on or before *(date)*. You have agreed that you will provide me with the completed annual financial report by that date.

You have also agreed that your financial agent will arrange with suppliers that they will certify as to the commercial value of goods and services provided.

It is not practicable for me to verify, from sources outside the accounting records, that all contributions are in accordance with the requirements of the *Election Act*, nor does the *Election Act* require me to do so. It is also not practicable for me to determine that all financial transactions relating to the organization have been included in the accounting records. In my report I shall state these facts. Of course, where it appears from my examination that there were any transactions not in accordance with the requirements of the *Election Act*, or that there had been a significant omission from the accounting records, it would be necessary for me to make an appropriate modification to my report.

Provided there are no circumstances preventing me from expressing an opinion without any additional modification, my report should be similar to the enclosed sample auditor's report.

Because my examination will be planned and conducted to enable me to express a professional opinion on the annual financial report as set out above, it will not be designed and cannot necessarily be expected to identify defalcations and other irregularities. Of course, the discovery of irregularities may result from my examination and will be reported to you.

It may be necessary to conduct certain audit procedures at any time before or after the year-end. I understand that I will have access at all reasonable time to all records, documents, books, accounts and vouchers relating to your association, and may require from you, your financial agent or others such information and explanation as is necessary to enable me to report as required under the *Election Act*. Before the issuance of my report, I shall require that certain assurances which I consider of significance when forming my opinion be provided in writing by you and your financial agent, and possibly other members of your staff, in a manner similar to the enclosed sample representation letter.

Fees will be determined on the basis of time spent on this engagement at my standard rates, and any disbursements incurred will be added to the billing.

If the above terms are acceptable to you, please sign the enclosed copy of this letter in the space provided and return it to me after obtaining your financial agent's signed acknowledgment that he or she understands the terms.

Yours truly,

Signed _____
Auditor

I confirm my understanding of your appointment as auditor as set out in this letter.

Signed _____
Principal Officer(s) of
Registered Political Party/Registered Constituency Association

Date _____

I acknowledge that I understand the above terms of your engagement which have been authorized by the principal officer(s) of the (*registered political party/registered constituency association*).

Signed _____
Financial Agent

Date _____

Election Financing Reports
of Candidates, Registered Constituency Associations and Registered Political Parties.

(This letter, with appropriately amended wording, may also be used to document the engagement terms of the audit of a leadership contestant.)

(Date)

(Name of Candidate or names of Principal Officer(s)
of Registered Constituency Association/Political Party)
(Address)

Dear *(Name)*:

I am writing to summarize my understanding of the terms of my prospective engagement as auditor to report under the *Election Act* on the financing report relating to (*your candidacy or the campaign*) for the election to be held on (*date*).

Although an audit may not be required, I recognize the need to have an auditor registered on file with Elections BC. I understand that the *Election Act* does not require all financial reports filed with Elections BC to be audited. However, if the thresholds requiring an audit are met, I will fulfill the audit requirement.

My audit will be conducted in accordance with generally accepted auditing standards. It will be planned and performed to obtain reasonable assurance whether the election

financing report is free of material misstatements, and will include examining, on a test basis, evidence supporting the amounts and disclosures in the election financing report. Although I cannot express an opinion on the operation of any systems of internal control, I will report to you any weaknesses in those systems which are identified during the audit.

My report will be addressed to your financial agent (*name*), and will state whether, in my opinion, the election financing report presents fairly the information contained in the accounting records on which it is based in accordance with the accounting treatment required by the *Election Act*. As required by the *Election Act*, in a separate report I shall make such statements as I consider necessary in any case where, in my opinion:

a) I have not received from the financial agent or yourselves all the information and explanations that I required;

or

b) proper accounting records have not been kept by the financial agent.

You have indicated your understanding that my examination will be such as to enable me to report as required under the *Election Act*. The timely preparation and completeness of the accounting records and financial report, which are to be prepared in accordance with the accounting provisions of the *Election Act*, are the responsibility of your financial agent. My responsibility as auditor does not extend beyond the reporting function outlined above, and accordingly does not include ensuring that you and your financial agent comply with all the requirements of the *Election Act*.

The *Election Act* requires filing of the election financing report within 90 days of General Voting Day. It is essential that the suppliers' accounts be recorded and the accounting records completed in time to allow me a reasonable period to complete my examination and issue my report. I anticipate that I will be able to report in time to permit a filing of your election financing report by the day required by the *Election Act* if your election financing report is completed and available for audit on or before (*date*). You have agreed that you will provide me with the completed election financing report by that date.

You have also agreed that your financial agent will arrange with suppliers that they will certify as to the commercial value of goods and services provided to the campaign.

The *Election Act* prescribes limitations on the amount of election expenses. It is not practicable for me to verify, from sources outside the accounting records, that all expenses and contributions are in accordance with the requirements of the *Election Act*, nor does the *Election Act* require me to do so. It is also not practicable for me to determine that all financial transactions relating to the election have been included in the accounting records. In my report I shall state these facts. Of course, where it appears from my examination that there were any transactions not in accordance with the requirements of the *Election Act*, or that there had been significant omission from the accounting records, it would be necessary for me to make an appropriate modification to my report.

Provided there are no circumstances which would prevent me from expressing an opinion without any additional reservation or modification, my report should be similar to the enclosed sample auditor's report.

Because my examination will be planned and conducted to enable me to express a professional opinion on the election financing report, it will not be designed and cannot necessarily be expected to identify defalcations and other irregularities. Of course, the discovery of irregularities may result from my examination and will be reported to you.

It may be necessary to conduct certain audit procedures at any time before or after the election date. I understand that I will have access at all reasonable times to all records, documents, books, accounts and vouchers relating to the election, and may require from you, your financial agent or others such information and explanation as is necessary to enable me to report as required under the *Election Act*. Before the issuance of my report, I shall require that certain assurances which I consider of significance when forming my opinion be provided in writing by you and your financial agent, and possibly other members of your staff, in a manner similar to the enclosed sample representation letter.

Fees will be determined on the basis of time spent on this engagement at my standard rates, and any disbursements incurred will be added to the billing.

If the above terms are acceptable to you, please sign the enclosed copy of this letter in the space provided and return it to me after obtaining your financial agent's signed acknowledgment that he or she understands the terms.

Yours truly,

Signed _____
Auditor

I confirm my understanding of your appointment as auditor as set out in this letter.

Signed _____
Candidate/Principal Officer of
Registered Constituency Association or Registered Political Party

Date _____

I acknowledge that I understand the above terms of your engagement which have been authorized by *(candidate/principal officer of registered constituency association/registered political party)*.

Signed _____
Financial Agent

Date _____

Appendix B – Sample Representation Letters

The following are sample representation letters for use in annual and election engagements. The letters should be amended as appropriate in the circumstances.

Annual Financial Reports

(*Date*)

(*Auditor*)
(*Address*)

Dear (*Auditor*):

In connection with your examination of the annual financial report of (*registered political party or constituency association*) for the year ended (*date*), we assure you that to the best of our knowledge and belief:

1. You have been afforded access to all the records, documents, books, accounts and vouchers relating to the (*constituency association or political party name*).
2. All political contributions, loans and other amounts received and all expenses incurred have been determined and recorded as required by the *Election Act*. In particular, all contributions received have been deposited only in accounts on record with Elections BC, and goods, services and advertising contributed have been valued in accordance with the *Election Act*.
3. The financial agent (*or deputy financial agent*) has received, recorded and deposited, in an account on record with Elections BC, all the amounts contributed during the period.
4. Inventory on hand at the beginning and end of the year is appropriately valued in accordance with the *Election Act*.
5. The statements of assets and liabilities and of income and expenses to be filed with Elections BC fairly present the information in the records in accordance with the requirements of the *Election Act*.
6. We are not aware of any illegal or possibly illegal acts, including, but not limited to, any possible violations of the *Election Act*.
7. We have disclosed to you all claims and possible claims against the (*registered political party or constituency association*), whether or not such claims have been discussed with a lawyer.
8. We are unaware of any outstanding debts that have not been reported in the accounting records.
9. (*Other relevant representations*).

Yours truly,

Signed _____
Principal Officer(s) of
(*registered political party or constituency association*)

Date _____

Signed _____
Financial Agent

Date _____

Signed _____
Other Personnel (if appropriate)

Date _____

Election Financing Reports

(*Date*)

(*Auditor*)
(*Address*)

Dear (*Auditor*):

In connection with your examination of the election financing report of (*candidate, registered political party or constituency association*) for the campaign period from (*date*) to (*date*) relating to the British Columbia (*by*)election held (*date*), we assure you that to the best of our knowledge and belief:

1. You have been afforded access to all the records, documents, books, accounts and vouchers relating to the election campaign.
2. All political contributions, loans and other amounts received and all expenses incurred have been determined and recorded as required by the *Election Act*. In particular, all contributions received have been deposited only in accounts on record with Elections BC, and goods, services and advertising contributed have been valued in accordance with the *Election Act*.
3. The financial agent (*or deputy financial agent*) has received, recorded and deposited in an account on record with Elections BC all the amounts contributed during the campaign period.
4. Expenses incurred have been properly classified as either election expenses or non-election expenses and are within the prescribed limitations. No election expenses have been incurred which are not reflected in the election financing report.
5. No other person or organization has incurred election expenses with the knowledge and/or consent of the financial agent.
6. We are not aware of any illegal or possible illegal acts, including, but not limited to, any possible violations of the *Election Act*.
7. We have disclosed to you all claims and possible claims against the (*candidate, registered political party or constituency association*), whether or not such claims have been discussed with a lawyer.
8. We are unaware of any outstanding debts that have not been reported in the accounting records.

9. (*Other relevant representations*).

Yours truly,

Signed _____
Candidate or Principal Officer(s)
of Registered Constituency Association/Political Party

Signed _____
Financial Agent

Date _____

Signed _____
Other Campaign Personnel (if appropriate)

Date _____

Appendix C – Sample Audit Reports

The following are sample audit reports for annual and election engagements.

Annual Financial Reports – Registered Political Party/Constituency Association

Auditor's Report on
(*Constituency Association's/Political Party's*) Annual Financial Report
Pursuant to the *Election Act*

To (*Name*), Financial Agent for the (*constituency association/political party*)

I have audited the annual financial report (*pursuant to Part 10 of the Election Act*) of the (*constituency association/political party*) for the year ended (*date*). This annual financial report is your responsibility as Financial Agent for the (*constituency association/political party*). My responsibility is to express an opinion on this annual financial report based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the annual financial report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial report. An audit also includes assessing the accounting principles used and significant estimates made by the Financial Agent, as well as evaluating the overall presentation of the annual financial report.

Due to the nature of the transactions of any *constituency association/political party*, it is impracticable through auditing procedures to determine that the Financial Agent's *constituency association/political party* records include all financial transactions for the *constituency association/political party*. Accordingly, my verification of these transactions was limited to the amounts recorded in the Financial Agent's *constituency association/political party* records and I was not able to determine whether any adjustments might be necessary to the annual financial report.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself as to the completeness of the Financial Agent's *constituency association/political party* records as described in the preceding paragraph, this *constituency association's/political party's* annual financial report presents fairly, in all material respects, the financial transactions contained in the Financial Agent's records, in accordance with the requirements of Part 10 of the *Election Act*.

Signed _____
Auditor

_____
(City)

_____
(Date)

Election Financing Report – Registered Political Party/Constituency Association

Auditor's Report
(*Constituency Association's/Political Party's*) Election Financing Report
Pursuant to the *Election Act*

To *(Name)*, Financial Agent for the *(constituency association/political party)*

I have audited the election financing report (*pursuant to Part 10 of the Election Act*) of the *(constituency association/political party)* for the campaign period from *(date)* to *(date)* relating to the British Columbia (*by*) election held on *(date)*. This election financing report is your responsibility as the Financial Agent of the (*constituency association/political party*). My responsibility is to express an opinion on this election financing report based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the election financing report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the election financing report. An audit also includes assessing the accounting principles used and significant estimates made by the Financial Agent, as well as evaluating the overall presentation of the election financing report.

Due to the nature of the transactions of any *constituency association/political party*, it is impracticable through auditing procedures to determine that the Financial Agent's *constituency association/political party* records include all financial transactions for the *constituency association/political party*. Accordingly, my verification of these transactions was limited to the amounts recorded in the Financial Agent's *constituency association/political party* records and I was not able to determine whether any adjustments might be necessary to the election financing report.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself as to the completeness of the Financial Agent's *constituency association/political party* records as described in the preceding paragraph, this *constituency association's/political party's* election financing report presents fairly, in all material respects, the financial transactions contained in the Financial Agent's records, in accordance with the requirements of Part 10 of the *Election Act*.

Signed _____
Auditor

_____
(City)

_____
(Date)

Election Financing Report – Candidate

Auditor's Report
Candidate's Election Financing Report
Pursuant to the *Election Act*

To *(Name)*, Financial Agent for *(candidate)*

I have audited the candidate's election financing report (*pursuant to Part 10 of the Election Act*) for the candidacy of *(candidate)*, a candidate at the election of a member to serve in the Legislative Assembly of British Columbia held on the _____ day of _____, 20_____ in the electoral district of _____. This election financing report is your responsibility as the financial agent for (*candidate*). My responsibility is to express an opinion on this election financing report based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the election financing report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the election financing report. An audit also includes assessing the accounting principles used and significant estimates made by the financial agent, as well as evaluating the overall presentation of the election financing report.

Due to the nature of the types of transactions inherent in any election campaign, it is impracticable through auditing procedures to determine that the Financial Agent's election campaign records include all financial transactions for the campaign. Accordingly, my verification of these transactions was limited to the amounts recorded in the Financial Agent's election campaign records and I was not able to determine whether any adjustments might be necessary to the election financing report.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself as to the completeness of the Financial Agent's election campaign records as described in the preceding paragraph, this election financing report presents fairly, in all material respects, the financial transactions contained in the Financial Agent's campaign records, in accordance with the requirements of Part 10 of the *Election Act*.

Signed _____
Auditor

_____
(City)

_____
(Date)

Appendix D – Excluded Election Expenses

Election expenses are defined in the *Election Act*. The *Election Act* also makes provision for certain expenses to be excluded from election expense limits. The following are the **only** election expenses which are excluded from the election expense limits (*per section 203 of the Election Act*):

- the nomination deposit of a candidate;
- personal election expenses of a candidate;
- legal or accounting services provided to comply with the *Election Act*;
- services provided by a financial agent or auditor in that capacity;
- the cost of any communication that a registered political party or a registered constituency association sent exclusively to its members;
- expenses incurred in holding a fundraising function if no deficit is incurred;
- expenses incurred exclusively for the day-to-day administration of a registered political party or a registered constituency association;
- interest on a loan for election expenses to a candidate, registered constituency association or registered political party;
- the cost of any communications that a candidate sends exclusively to members of his or her registered political party or registered constituency association;
- the portion of transportation costs and costs for food, refreshments and communications equipment for which a political party or its candidate is reimbursed by media representatives accompanying election tours; and
- expenses prescribed for the purpose of section 203 of the *Election Act* by regulation.

Election expenses are deemed to include the value of any goods held in inventory or any fees or expenses for services for any candidate or registered political party, and any contribution of goods and services to the registered political party, registered constituency association or candidate, for use in whole or in part during the period commencing with the issue of the writ for an election and terminating on General Voting Day.

For the purpose of determining adherence to the limits on election expenses as defined in the *Election Act*, such expenses consist of the total election expenses incurred by the candidate, and any other person incurring expenses with the knowledge and consent of the candidate or financial agent.

Questions?

For more information contact Elections BC

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